Minutes of the Meeting
of the
College Savings Program Board

Held in the State Treasurer's Conference Room, Fifth Floor
1 South Pinckney Street
Madison, Wisconsin

December 16, 2004
1:00 p.m.

MEMBERS PRESENT: *Darling, Johnson, Reid, Wegenke, Durcan, Clumpner, Oemichen, Voight, Wolff*

MEMBERS PRESENT BY CONFERENCE PHONE: *Adamski (who arrived at approximately 1:40)*

MEMBERS ABSENT: *Plale*

OTHERS PRESENT: Marty *Olle* and Rich Janosik, EDVEST Program; Tom Petri of Sen. Darling's office; Sarah Henriksen and Drew Wineland of Strong Investments; Andrew Owen of Wells Fargo; Sonia Olsen-Hasek of DOA

I. Call to Order – The meeting was called to order at approximately 1:03 p.m. by Board Chair *Darling*.

II. Roll Call – See above.

III. Approval of Agenda – *Reid* moved and *Voight* seconded approval of the agenda as posted and distributed. Motion passed by voice vote without objection.

IV. Public Presentations – None.

V. Approval of Minutes – *Oemichen* moved and *Wegenke* seconded a motion to approve the minutes of the August 17, 2004 meeting of the Board. Motion passed on a voice vote without objection.

VI. Administrative Reports

A. Board Chair Comments -- *Darling* stated that it had certainly been an eventful year for the program. It appears that the legal issues facing the program have been addressed. She said she is looking forward to the competitive bidding process that the program will have next year, after the continuation of the existing contracts with Wells Fargo, which are scheduled to expire in 2006. She is happy with the commitment that Wells Fargo has made to employment in the state. She suggested a board retreat in 2005 to discuss the goals and future direction of the program.

B. State Treasurer Comments – *Voight* stated that it had been a good year for the program despite the problems encountered during the period. Growth in assets and the number of accounts has been excellent in the past year. Wells Fargo will be a good partner for the program going forward. He mentioned an idea that he has to establish an EdVest grant program for low and moderate income families to increase their participation in the program and give them an incentive to save for college in advance.

C. Program Director Comments --- *Olle* reviewed asset and account information for the month of November, which showed assets growing to $1.3 billion and accounts growing for EdVest and declining slightly for tomorrow's scholar. December should be the best month of the year, as it has been in the past with the contribution deadline for the state tax deduction the last day of December. He reviewed revenues and expenditures for the program, which included the $85,000 expense for the Coopers audit. The contingency fund has reached a level of approximately $5 million. The program has requested additional budget authority for four new items, including costs of fund accounting for the new non-Strong funds ($150,000), independent audit increase ($20,000), legal expenses ($50,000), and investment services consultant ($80,000). The total administrative services budget for the program is up to $700,000. There is one remaining lawsuit still pending in the late trading charges. Strong has proposed a consultant to handle the calculation of the distribution of the settlement funds, but the SEC has not yet acted on the proposed consultant. There are several ways that the funds may be distributed, but it is not yet clear what method will be used to determine how the funds will be distributed to accounts.

Olle commented on the national College Savings Program Network conference [CSPN] that he and *Janosik* attended last week. Discussion topics included disclosure principles that have been developed, the role and responsibilities of states in the oversight of the programs, and outreach to low and moderate income families. The organization is focused on the legislative extension of the federal tax benefits that are due to expire in 2010, and make them permanent. He also discussed his presentation at the conference regarding the changes in EdVest in the past year.

VII. Old Business

A. Evaluation Associates, Inc. Contract for Investment Performance Monitoring -- *Janosik* reported on the execution of the contract with Evaluation Associates [EAI], and the progress that has been made in providing them with data to allow reports to be prepared on the portfolios of the program. Authority to pay the vendor's contractual expenses has yet to be approved by the legislature, but is expected in January, and EAI is expected to present their initial findings at the next meeting of the board.

VIII. New Business

A. Contract Amendments With Wells Fargo for Management of Program -- *Wolff* reported on the progress that DOA has made in making a decision to allow Wells Fargo to assume the contracts for the program from Strong. The contracts will run until their original expiration date of May, 2006. It is expected that a new RFP for services to the program will be developed in mid-2005, and that an outside consultant may be used to help draft the new RFP. Changes to the existing contracts will be reviewed by the Board's counsel, Foley and Lardner. An assignment agreement and amendment to the current contracts will be executed by the DOA, Board Chair, and the State Treasurer. The addition of two new portfolio options -- a small/mid-cap fund and a Wisconsin manager fund -- is also anticipated.

B. Committee to Increase Participation Among Low and Moderate Income Families -- *Voight* discussed the formation of a Board subcommittee to look into increasing participation among low and moderate-income families. He would like to refer to this as an EdVest "grant" program and hopes to get the Board's support for this effort. <u>*Wegenke* moved and *Durcan* seconded a motion to form a subcommittee of the Board to pursue possible initiatives for increasing participation of low and moderate income families in the program</u>. *Johnson* advised the Board to be careful in how it decides to use the surplus that the program has generated, in that current investors might take issue with the distribution of these funds in this way. He said that he would be willing to serve on the group. *Adamski* also cautioned the Board that potential investors in this target group may not be sophisticated investors, and that he hoped the Board would consider simplified investment options. He also volunteered to take part in the committee.

C. Discussion and Review of Investment Options -- *Henriksen* and *Wineland* of Strong and *Owen* of Wells Fargo made a presentation of proposed plans for EdVest going forward. Owen mentioned that the 529 program is aligned very well with the corporate goals/values of Wells Fargo in the education field. He discussed a handout regarding the merger of Wells and Strong. The vast majority of Strong's investment management talent has been retained, and there will be reductions in fees for most portfolios. Over the next several months, Wells will be working on changes they plan to suggest for improvements to the program. *Henriksen* discussed a change in record-keeping systems that will occur with the merger. Early April is the target for the re-launch of the programs under Wells. Wolff asked a question about the CSPN disclosure guidelines and whether April is a reasonable timeframe for them to be implemented for the program. *Henriksen* said that she thought this was a realistic time frame for implementation. *Clumpner* asked when the Board might expect reports from Evaluation Associates. *Olle* said assuming that the Joint Finance Committee approves payments under the contract, results should be available for presentation to the Board in January.

D. Nationwide Uniform Disclosure Principles for Investors -- *Janosik* discussed the reasons that CSPN had developed the uniform disclosure principles that have now been adopted by the state programs. The key points that the principles cover are timeliness of the documents, clear discussion of the state and federal tax benefits to the plans, a uniform table of fees, comparable performance reporting format and clearer descriptions of the investment portfolios and the risk factors involved in the programs. He referred to a proposed motion for the Board, to go on record in support of implementation. <u>*Wegneke* moved, and *Voight* seconded a motion to endorse the use of the disclosure principles developed by the CSPN and that they be implemented by the program as soon as it is feasible to do so. The motion was amended to include the wording "at a minimum", [i.e. Wisconsin's disclosure may go beyond the principles adopted by the national association] and was passed by a voice vote of the Board</u>.

E. Discussion of State Fee Scenarios -- *Olle* suggested that the discussion of this item be postponed to the next Board meeting.

IX. <u>Announcements</u> — *Darling* suggested that the Board hold a retreat at the next meeting, to spend adequate time on the pending issues and to have materials available for the Board to review in advance of the meeting. Also, she would like to look at the work-schedule for the next year for planning additional meetings. *Adamski* reminded the Board that the materials presented at the meeting refutes much of the negative press that has appeared over the past year. *Darling* suggested that a year-end press release be distributed to make available some of the data presented to the Board showing the program in a more positive light.

X. **Adjournment** -- *Darling* entertained a motion to adjourn the meeting. *Wolff* moved, and *Voight* seconded a motion to adjourn. It passed by voice vote and the meeting adjourned at approximately 2:38 p.m.